



**Inspector General
Department of Defense**

Semiannual Report to the Congress

April 1 – September 30, 2001



Mission Statement

The Department of Defense Inspector General promotes national security and integrity and credibility in Government by conducting objective and independent audits, investigations, evaluations, and other activities to prevent, detect, and help correct problems in DoD programs and to identify opportunities for improving efficiency and effectiveness.



FOREWORD

The terrorist attacks of September 11, 2001, and the national response, including Operation Enduring Freedom, became the central events of the 6-month period covered by this report, April 1 to September 30, 2001. The audit, inspection, and investigative organizations of the Department of Defense are giving the highest priority to providing highly responsive support to managers, commanders, and law enforcement authorities for the duration of the counterterrorist campaign. This support ranges from the active participation of our criminal investigators in tracking down terrorists and their accomplices to audits or inspections to address salient concerns, such as security and chemical/biological defense readiness. We highlight some of those efforts in Chapter Three.

Without the events of September 11, the main theme of this report would have been that audit, inspection, and investigative results continued to identify the need for the transformation and reform across the spectrum of Defense management activities. Chapter One of this report discusses what we consider to be the 10 most challenging management areas. Chapter Two summarizes the oversight activity during the period, which resulted in the identification of \$3.7 billion in potential savings by audits and \$.9 billion in monetary results from criminal investigations. The classified annex to this report provides details on intelligence oversight and a focus area discussion on information system security throughout the Department of Defense.

We sincerely appreciate the support of Defense leaders and Congress for our efforts to combat fraud and improve the stewardship of Defense assets.

A handwritten signature in black ink that reads "Robert J. Lieberman". The signature is written in a cursive, flowing style.

Robert J. Lieberman
Deputy Inspector General

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CHAPTER ONE – DOD MANAGEMENT CHALLENGES

INTRODUCTION

The Department of Defense (DoD) audit, inspection, and investigation organizations provide a wide variety of support to DoD leaders, Federal law enforcement officials, and the Congress. Our priorities are determined by the needs of those stake-holders.

The management reform initiatives announced by the Department over the past several months are aligned closely with the management challenges identified in our previous semiannual report and the high risk areas listed by the General Accounting Office. The continued threat of terrorist attacks and the need to support *Operation Enduring Freedom* have changed many management priorities and put a premium on correcting deficiencies that could impair homeland defense and military readiness. It is also important, however, for the Department not to lose momentum in addressing the many broad issues related to general effectiveness and efficiency in administrative and other support functions. With these factors in mind, this chapter updates our views on the status of top management challenges, as reflected in recent oversight results.

INFORMATION TECHNOLOGY ACQUISITION

The key to more efficient processes in all DoD support operations is better information. Despite the vast scale of DoD information networks and computing capabilities, both leaders and subordinates still must deal frequently with information that is untimely, inaccurate, incomplete, or otherwise not useful. In large part, this is due to the lack of fully integrated information systems that have good data quality controls and are capable of meeting all key information requirements.

Reform of the chaotic DoD information management picture has been under way for a decade. The main challenges have been to establish a comprehensive information architecture and a capital investment process that efficiently implements it. With the recent approval of the Global Information Grid, the Department took a major step toward interoperability across the organization and appropriate emphasis on providing useful data efficiently to the warfighters. Additional effort is needed to standardize data elements and develop DoD-wide architecture for streamlined DoD business processes. With this framework in place, DoD will need to follow through with rigorous management of its information technology investments in individual systems. Historically, management controls have been weak and central review processes have been ineffective.

In past semiannual reports, we have been highly critical of the unmanaged risk and subsequent performance failures in numerous DoD system acquisition projects. Those concerns remain, although audits completed during the period identified two recent success stories: the Global Transportation Network for controlling in-transit materiel and Power Track for freight payments. Audits also indicated that improvements were needed in acquiring the Joint Personnel Adjudication System, the Defense Civilian Personnel Data System, the Defense Security Assistance Management System, and others.

INFORMATION SYSTEM SECURITY

The bulk of our coverage related to information technology was focused on information assurance, primarily because of the requirements of the Government Information Security Reform Act (GISRA). Audits and inspections of individual sites or systems showed a wide range of continuing vulnerabilities. The audits of the first year of GISRA self assessments faulted the Department for belated and incomplete guidance, as well as a lack of good metrics. The second year of self-assessments is expected to yield more substantive and reliable results. Further details are in the classified annex to this report.

Although implementing GISRA has been difficult, the OIG, DoD, believes that its mandatory reporting requirements have refocused the Department's attention on this critical area. Until it was passed, we were very concerned that information security was a declining priority. In an August 2001 report, Application of Year 2000 Lessons Learned, we recounted the DoD failure to adapt the proven "Y2K" management method to the highly similar information assurance challenge.

The GISRA has a sunset provision and will expire unless Congress acts next year. Although some simplification and clarification of the current GISRA language may be advisable, we believe that the information assurance threat is greater than ever and mandatory self assessments, with independent review, serve the Department's best interest. Therefore we recommend continuation of the core GISRA requirements.

OTHER SECURITY CONCERNS

Defending against further terrorist attacks poses enormous physical security challenges because of the sheer number of potential terrorist targets and the wide variety of weapons that could be employed. In addition to those concerns, the DoD still needs to deal with longstanding issues in other security-related areas. Effectively controlling the transfer of sensitive U.S. military technology overseas, for example, remains a high priority, but the Congress has not yet passed a new Export Administration Act, and reforms of the multiagency processes for reviewing

export license applications are incomplete. The results of this year's multiagency audit of export controls, which was mandated by the National Defense Authorization Act for FY 2000, will be included in our next semiannual report.

The inability of the Defense Personnel Security Program to ensure timely investigations also remains a serious concern. The Defense Security Service (DSS) has increased its productivity and the Office of Personnel Management (OPM) has provided good support through its contractors to work off the backlog of several hundred thousand overdue clearance investigations and achieve reasonable turnaround times for new investigation requests. The program remains hampered, however, by uncertain projections of the future investigative workload. There is widespread skepticism among DoD components about the ability of DSS to efficiently handle more workload, yet DSS views the outsourcing of much of the investigative workload to OPM as a temporary measure. The long delayed transition of DSS to a pay-for-service organization remains a key DoD management objective, but DSS still lacks a cost accounting system.

The OIG, DoD, believes that any large scale shift of investigative workload back to DSS should be done incrementally and on a trial basis, with close oversight of the results. Any transfer must be justifiable on the basis that DSS will be able to out-perform OPM in terms of the cost, timeliness, and quality of investigations. We plan additional audit work on these issues during fiscal year 2002.

FINANCIAL MANAGEMENT

The Secretary of Defense established the Defense Financial Management Modernization Program to provide policy direction and central control for all DoD financial management improvement efforts. Led by the Under Secretary of Defense (Comptroller), this effort appears to be a much better structured and more comprehensive initiative than the disjointed DoD efforts of the past several years. New emphasis on business process reengineering, providing useful financial information to managers, and reducing the number of systems processing financial data is encouraging and merits strong support.

We also are encouraged by the primary focus of the Office of Management and Budget, Congress, and the DoD on attaining financial management systems that facilitate more efficient operations. In the past several semiannual reports and in numerous hearings, we expressed concern about the widespread preoccupation with clean audit opinions on end-of-year financial statements. In the absence of adequate financial reporting systems, favorable audit opinions for virtually all major DoD financial

statements were impossible, yet unrealistic goals were continuously set. To fulfill mandatory audit requirements, the DoD internal audit agencies had to apply disproportionate resources to financial statement audits. Not only was much of this effort repetitive, but it siphoned scarce audit resources away from other important areas, including other aspects of DoD financial management.

In consonance with the overall shift in DoD financial management modernization priorities, we are scaling back the audit effort on financial statements whose managers acknowledge that they are not compliant with applicable standards. Chief emphasis will be on auditing the development of an overall DoD financial systems architecture and acquiring or modifying the approved family of systems. Although this will be a large audit workload, it is similar to our role in the successful Year 2000 systems conversion effort.

The lack of standard cost accounting systems to support numerous DoD operations is a major concern and a good example of the practical problems that have gone unaddressed due to other management priorities. In addition to the previously mentioned DSS cost accounting problem, we reported in August 2001 that DoD had prematurely claimed success in establishing a standard cost accounting system to support life cycle cost management for weapon systems.

Although the Department has tried to be responsive to audit recommendations on financial management problems, we reported in September 2001 that an initiative to reduce the number of charges to wrong accounts when making progress payments on weapons contracts had been ineffectual. This initiative was intended to address multiple audit findings made during the 1990's. Prospects for improvement or replacement of the current initiative are uncertain, because neither the acquisition community nor the finance centers previously have shown a strong commitment to solving the problem.

ACQUISITION

The Defense Acquisition Program was already the largest, and one of the most diverse, capital investment programs in the world before the recently approved increases to finance weapon systems modernization, force transformation, and the war on terrorism. Although acquisition reform has been a high priority of several Administrations and Congresses, controversy remains about the effectiveness of previous reform efforts. Likewise, while it is generally agreed that speeding up the acquisition process would be beneficial and many current practices could be streamlined further, the high incidence of operational test and evaluation failures

reported by independent testers underscores the need for careful attention to acquisition planning, contractor performance, and product quality.

In previous semiannual reports, we discussed the need for more management attention to DoD contracts for services, which total well over \$50 billion annually. The Under Secretary of Defense for Acquisition, Technology and Logistics has taken commendable steps to provide more oversight of the largest contracts for services, but the thousands of other contracts and purchase actions for services remain a challenge. In September 2001, we reported continued failure by DoD organizations to minimize sole source awards for task order contracts. In addition, we continued our series of audits on contracting for services by individual organizations and reported in April 2001 that a large Defense agency's contracting effort needed improvement. Because purchasing services is a huge and growing acquisition program in its own right, this area merits continued management attention and audit coverage. Several related bills and legislative provisions have been introduced in Congress, and we look forward to working further with the Administration and Congress on these matters.

While the increased use of Government credit cards for making millions of small purchases annually has been enormously beneficial, numerous audits and investigations have indicated weaknesses in management controls, which the DoD is attempting to remedy. We will address this topic as a focus area in the next semiannual report.

HEALTH CARE

The challenges related to terrorist threats and medical support of *Operation Enduring Freedom* will further tax the Defense Health Program, which was already struggling with medical readiness, health care fraud, cost containment, and quality of service issues.

Despite numerous successful health care fraud investigations and prosecutions, the large amount of fraud being detected in this area demonstrates the continued risk to TRICARE, the Defense health care delivery program. The Defense Criminal Investigative Service (DCIS) had 461 open criminal investigations in this area in September 2001.

INVENTORY MANAGEMENT

Logistics management reform over the past several years has focused on adopting private sector techniques, improving visibility and control over assets, and reducing costs, while simultaneously improving customer service. Results have been mixed, especially in cost reduction and service delivery. *Operation Enduring Freedom* poses daunting logistical support

challenges and an acid test of the effectiveness of many new systems and processes.

During the reporting period, audits and inspections indicated need for improvement in a number of logistics areas, especially supply management. Spare parts shortages and deficiencies in accountability and control of materiel continued to be frequent findings.

OTHER INFRASTRUCTURE ISSUES

The OIG, DoD, has repeatedly endorsed the need for at least one more round of base closures and realignments. Our view has not changed, and we stand ready to assist the DoD in implementing whatever program the Congress approves.

The Department is pressing forward with reorganizations and additional public/private competitions for a variety of functions currently performed in-house. The intention, a longstanding DoD goal, is to reduce support costs to free up funding for recapitalization. As with base closures, nearly all management decisions affecting jobs are controversial, and great care is needed not to demoralize the workforce or make decisions based on questionable information. The DoD internal auditors are heavily engaged in providing independent review of public/private competitions. In the case of the Air Force, this is a new responsibility for the Air Force Audit Agency and fills a systemic gap disclosed by an OIG, DoD, audit during this reporting period.

Another infrastructure challenge is facilities recapitalization. According to the Quadrennial Defense Review, the private sector replaces or rebuilds facilities at an average rate of every 57 years. Due to chronic underfunding, the current DoD rate is every 192 years, which is almost nonsensical. In addition to cutting the existing base structure, the Department needs better strategic planning for facilities modernization. Historically, facilities programs compete poorly in the budget competition, despite their importance for the productivity and quality of life of military members and civilian employees. Modern facilities are virtually certain to be more secure, less expensive to maintain, and more environmentally benign than those they replace.

READINESS

Most of the major challenges discussed in this chapter have direct or indirect bearing on the readiness of U.S. military forces to carry out their missions. Nevertheless, we have included readiness as a distinct item to highlight certain challenges.

Accurate readiness reporting has been a management challenge for many years and frequently is the focus of audits and inspections. During this semiannual reporting period, for example, the Naval Audit Service reported in August 2001 that the readiness status of 9 of 15 audited Marine Corps aviation squadrons was overstated. Similarly, the investigation discussed in Chapter Two on the MV-22 Osprey training squadron confirmed inaccurate readiness status reporting.

The ongoing transformation of U.S. military forces, coupled with the counterterrorism challenge, will necessitate far-reaching changes in doctrine, policy, training, and metrics for evaluating readiness. In the past, changes in those areas generally have required long periods of time and tremendous investment of staff resources. In our view, the Department must find ways to speed up those processes and avoid the frequently seen cycle of incomplete guidance, inadequate implementation, and insufficient performance measurement to gauge results. It will be particularly important to ensure that adequate training is provided to carry out homeland defense and counterterrorism missions. Ongoing audit and inspection coverage of such issues as force protection programs and National Guard and Reserve readiness should be helpful in that regard.

HUMAN CAPITAL

Both the Administration and Congress have recognized the challenges posed by a decade of distorted hiring and retention patterns and the prospect of nearly half the Federal civilian workforce reaching retirement eligibility within 5 years. We are particularly supportive of the new DoD efforts to formulate a strategic management plan for the civilian workforce, which would address a longstanding gap in Defense planning. As the Department transforms itself to meet the challenges of the 21st century, it needs to answer long unresolved questions regarding the size and requisite skills of its workforce. Although we support more flexible personnel management rules and procedures, those are merely tools with which to shape the workforce, and the primary management emphasis should be on sound planning to resolve the basic goals for workforce size and skills. Hopefully, such planning would be sound enough to ensure consistency across fairly long time spans, so that meaningful career development efforts can succeed and frequent stop/start hiring patterns can be minimized.

CHAPTER TWO - SIGNIFICANT ACTIVITIES

INTRODUCTION

This chapter summarizes the significant activities of the OIG, DoD, components and their work with other members of the DoD oversight community.

CRIMINAL INVESTIGATIONS

The four Defense Criminal Investigative Organizations (DCIOs) continue to combat crime affecting the DoD. The DCIS focuses on procurement fraud, health care fraud, computer crimes, major thefts, and significant crimes impacting Defense agencies. The U.S. Army Criminal Investigation Command, the Naval Criminal Investigative Service (NCIS), and the Air Force Office of Special Investigations (AFOSI), also investigate procurement fraud, but focus mostly on other crimes against persons and property affecting their respective Military Departments, as well as force protection. The AFOSI and NCIS also conduct counterintelligence investigations and operations.

Monetary recoveries and fines related to criminal investigations totaled more than \$901 million. Figure 1 (page 9) displays other statistical results achieved by the four investigative organizations during the semiannual period. The following are examples of significant fraud cases.

Environmental Crimes

Investigations in this area address matters such as the removal, transport, and disposal of hazardous material from DoD installations or contractors.

Simpson Construction Company (SCC), Cleveland, Tennessee, was alleged to have illegally disposed of hazardous waste from its onsite operations. The SCC specialized in bridge construction and had contracts with the Army Corps of Engineers. Investigation disclosed that SCC directed management employees to clean equipment with highly flammable solvents. Large quantities of waste solvents were dumped into a burn pit. The SCC was sentenced to 1 year probation and ordered to pay a fine and damages totaling \$867,321 and a \$400 special assessment for violating the Resource Conservation and Recovery Act.

Computer Crimes

Criminal activity in the cyber environment continues to grow with viruses, denial of service attacks, and hacker attacks being the most notorious computer crimes. Easy access to the Internet has led to another type of computer crime--accessing child pornography using DoD computers. The pornography is often discovered while examining DoD computers for evidence in other criminal matters, or is detected and reported by network administrators.

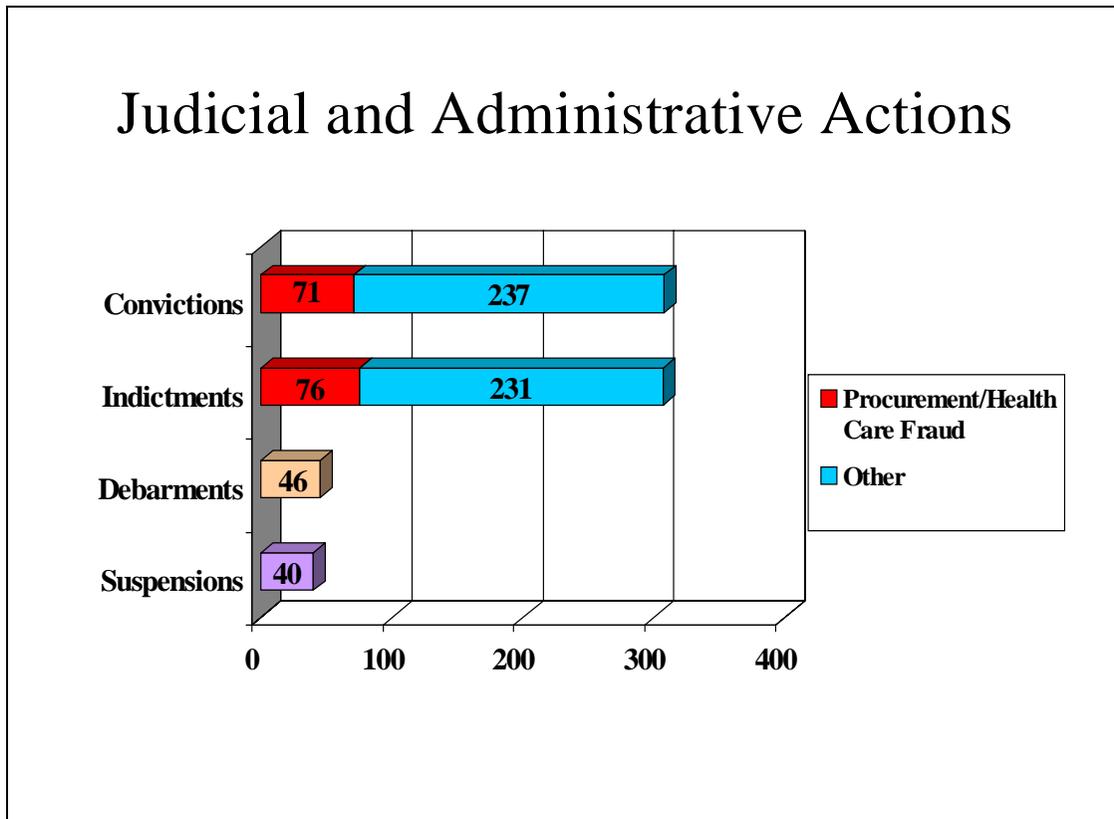


Figure 1

As an example, a Navy petty officer assigned to the U.S. Joint Forces Command, Norfolk, Virginia, accessed child pornography from his DoD computer. He pled guilty to child pornography and a related charge and was sentenced to 8 months confinement, a bad conduct discharge, and reduction in grade from E-5 to E-1.

Financial Crimes

Offenses considered to be financial crimes generally involve contract mischarging or defrauding pay systems.

A California company agreed to pay \$8.2 million in a civil settlement to resolve issues raised in a qui tam lawsuit. The suit alleged that the company improperly charged millions of dollars to DoD and other Government accounts that were actually overhead and other indirect costs attributed to the company's commercial work.

Johnny F. Smith Truck and Dragline Service, Incorporated, billed the Government for nonexistent employees and equipment, charged for

operating equipment that was idle, and deliberately slowed the work pace. The company was working under two disaster clean-up contracts totaling \$22.3 million, awarded after Hurricane Fran struck Eastern North Carolina in 1996. The company pled guilty in Federal court to conspiracy to defraud the Army Corps of Engineers, the Federal Emergency Management Agency, and the State of North Carolina. Under terms of a plea agreement, the company paid \$2.4 million in fines and restitution.

An undercover operation resulted in convictions of a vice president and three employees of Bayship Management, Incorporated, New Jersey, for kickbacks, false claims, money laundering, and fraud. A vice president of Bayship and three other individuals received sentences of imprisonment ranging from 13 to 27 months and payment of a total of \$988,699 in restitution and assessments.

In a civil settlement, Unidyne Corporation (a subsidiary of Titan Corporation) agreed to pay \$1.8 million to resolve allegations of timecard fraud, mischarging, and submission of false resumes. An attorney representing current and former Unidyne employees initially brought these allegations to the Government's attention.

Two Air Force military personnel were convicted of larceny by fraud charges. The Service members were involved in a conspiracy to deposit bad checks into their respective bank accounts and then withdraw the cash, resulting in a \$24,350 loss to their banks and a military credit union. One member was sentenced to 26 months in prison and given a dishonorable discharge. The other received a dishonorable discharge.

A 1997 qui tam suit alleged and a 1999 Army audit found evidence that Alabama Agricultural and Mechanical University misrepresented the number of actual students participating in a course funded by the Army. The University agreed to pay the Government \$416,250 in a civil settlement.

Technology Transfer

Technology transfer cases involve the illegal export or acquisition of sensitive DoD technologies, weapons systems, parts, and intellectual property.

Two employees of Multicore, Limited, pled guilty to violating the Arms Export Control Act and the International Emergency Economic Powers Act. The employees purchased parts for the F-4 Phantom, the F-5 Tiger, and F-14 Tomcat aircraft and the Hawk missile system from legitimate vendors in the United States, then shipped the parts to California using a

fictional business entity. There the parts were stored for shipment to Singapore, without export licenses from the U.S. Government, and later transferred to Iran. The employees were debarred from contracting with the Government and sentenced to confinement and probation.

Theft

Theft of DoD material and munitions from the supply system and at the base level has a direct effect on military operational readiness. Another vulnerability is theft of funds and property using the Government purchase card.

Investigators uncovered misuse of Government purchase cards by merchants and employees of the DoD and the Environmental Protection Agency. The DoD employees assigned to the Pentagon used a variety of credit card schemes for personal gain. For actual supply purchases, employees directed business to certain contractors in exchange for cash kickbacks. In other cases, bogus "purchases" were directed to certain office supply companies, particularly two Maryland companies. In these cases, the vendors split the payment for the bogus transactions with the DoD employees. Ten subjects pled guilty to a variety of charges including bribery, kickbacks, money laundering, and conspiracy. Nine defendants were ordered to pay restitution totaling \$914,133. They will each serve various periods of probation. Six of the defendants will also serve confinement ranging from 6 months home detention to 15 years imprisonment. The two Maryland supply companies have been debarred from Government contracting.

An investigation revealed that an Army civilian, a chief warrant officer, a master sergeant, and two staff sergeants were involved in fraud. The master sergeant stole parts, equipment, and tools for his own use. The civilian used a Government purchase card to purchase items for his and others personal use. Additionally, the civilian collaborated with the master sergeant to place stolen property on an installation's property book hand receipt after discovery of the larcenies. The investigation also showed that one staff sergeant stole Government property while another staff sergeant knowingly received items stolen by the civilian and diverted them to his own use. Additionally, the chief warrant officer, who was the authorizing official, did not review any of the purchases. The loss to the Government was approximately \$92,949. The civilian was granted immunity after agreeing to provide information pertaining to the military members. The master sergeant was sentenced to 4 months confinement, reduction in rank, and a bad conduct discharge. One staff sergeant was reduced in grade to private first class, while the other staff sergeant was reduced to

specialist four and fined \$600. The chief warrant officer received a letter of reprimand.

Medical Fraud



Efforts to combat fraud against TRICARE and other Government health care programs resulted in many successes during this 6-month period. The following sample cases were jointly investigated by multiple Federal law enforcement agencies, and the recovered amounts will be apportioned among the agencies whose programs were victimized, including DoD.

Dr. Samir Najjar, of Jacksonville, Florida, was sentenced to 3 years supervised release and was ordered to pay more than \$5 million in restitution and forfeit assets. Najjar pled guilty to one count of making false statements to the Government. Najjar knowingly submitted fraudulent patient progress notes to TRICARE in connection with a Government audit of insurance claims in an attempt to substantiate fraudulent claims and mislead the auditors.

Dr. John A. Campa, III, formerly of Nashville, Tennessee, pled guilty to 77 counts related to submitting false claims to private insurers, TRICARE, and other Government insurance programs. The criminal conduct included submitting claims for services and supplies not provided, “upcoding” to more expensive procedures, and submitting claims to multiple insurers as if each was the primary insurer for the patient. Campa was sentenced to 24 months incarceration, 3 years probation, and ordered to pay \$219,650 in restitution.

Bribery and Kickbacks

The Anti-Kickback Act of 1986 provides penalties for Government employees and contractors who engage in bribery and kickbacks in exchange for contracts and subcontracts.

Surveillance of a “payoff in progress” helped prove that a civilian employee of the Army Corps of Engineers solicited bribes from subcontractors. The employee, a chemist/quality assurance representative, also tried to obtain jobs for his relatives and other favors in exchange for guaranteeing Corps of Engineers contract awards to the subcontractors. The employee was convicted on three counts of soliciting and/or accepting bribes. He was sentenced to 12 months confinement and a \$300 penalty. He was placed on administrative leave without pay; further administrative action is pending.

The former chief financial officer of a telecommunications company alleged that his company, a DoD subcontractor, paid \$218,586 in kickbacks to an employee of a DoD prime contractor. As part of the kickback

scheme, the subcontractor issued checks to bogus companies believed controlled by the prime contractor's employee. In return, the subcontractor received favorable treatment ranging from paperwork preparation to overlooking quality problems. Three defendants pled guilty to various charges including violating the Anti-Kickback Act and filing false statements on income tax returns. They were suspended from contracting with the Government and sentenced to home confinement, probation, and fines totaling \$100,000. The subcontractor company was placed on 2 years probation and fined \$78,000 for income tax evasion following its guilty plea.

Brunacini Appliances, Incorporated, and Sherry Hoff, a DoD contracting employee, were convicted in Federal District Court in New Mexico on bribery charges and ordered to repay the Government \$29,000. An investigation revealed that Hoff received bribes in the form of expensive domestic appliances/electronics from Brunacini, which was seeking preference in having its appliances installed in DoD housing units. In addition to the conviction and restitution order, Brunacini and Hoff were placed on probation, and Brunacini was debarred from doing business with the Government.

The president of Certified Cleaning Services of Tacoma, Washington, a subcontractor, pled guilty to conspiracy and violating the Anti-Kickback Act. The president was sentenced to 6 months home detention, 5 years probation, and ordered to pay \$422,469 in restitution to his company's prime contractor. The company participated in a kickback scheme associated with a DoD construction contract to install a shell used to keep residual fuel from leaking into the ground water supply from underground tanks.

**Product
Substitution**

Counterfeit material and other forms of unauthorized substitution of products into DoD inventories continue to be one of our highest priorities for deterrence, investigation, and prosecution.

Information provided by an Aircraft Mishap Investigation Board indicated that a faulty bearing, manufactured by Kaydon Corporation and used in the directional control system of the aircraft, caused the crash of a CH-53E helicopter manufactured by Sikorsky Aircraft Corporation (SAC) for the Naval Air Systems Command, during its maiden flight in May 1996. The crash killed the entire crew of four SAC employees and totally destroyed the \$25 million aircraft. Kaydon pled guilty to two counts of false statements regarding the submission of false inspection



certifications to SAC, and was sentenced to a \$1 million criminal fine and civil restitution of \$6.5 million.

Sara Lee Corporation/Bil Mar Foods pled guilty to a one-count corporate misdemeanor information and agreed to pay the maximum criminal fine of \$200,000 and to underwrite a \$3 million grant for food safety research at Michigan State University. Sara Lee also agreed to pay \$1.2 million in restitution and investigative costs to the DoD, to settle a civil lawsuit relating to the 1998 sale of Bil Mar meat products for DoD commissary use suspected to be contaminated with the *Listeria* bacteria. The bacteria was associated with various deaths, miscarriages, stillbirths, and illnesses in 22 states, according to the Centers for Disease Control and Prevention. The DoD recalled and destroyed the suspect meat products.

MV-22 Osprey Maintenance Records

The DCIS investigated allegations that maintenance data and readiness records for the U.S. Marine Corps MV-22 Osprey aircraft were being falsified at Fixed Wing Marine Medium Tiltrotor Training Squadron 204 (VMMT-204), Marine Corps Air Station, New River, North Carolina. ¹

We dedicated, at various times, up to 60 special agents, analysts, and administrative support personnel to a 6-month task force operation. Over 23,000 hours of investigative time was directed to the case. Various



investigative techniques were used, including confidential sources, OIG subpoenas, forensic analyses, and polygraph examinations. We conducted over 700 interviews of approximately 475 individuals; seized 38 computers, 125 network data tapes, 66 compact disks, and numerous floppy disks; analyzed computer-based data containing 24 gigabytes of information; and examined approximately 3,000 VMMT-204 maintenance documents and other reports. The investigation concluded:

¹The V-22 Osprey is a tiltrotor aircraft jointly manufactured by Bell Helicopter Textron, Incorporated, and The Boeing Company (Bell-Boeing), that takes off and lands like a helicopter. Once airborne, its engine nacelles can be rotated to convert it to a turboprop aircraft capable of high speed, high altitude flight. During the events in question, VMMT-204 was the only squadron flying the Marine version of the aircraft, the MV-22.

- False maintenance data and readiness records were created at the squadron. The falsification of these records was the result of pressure, perceived by the commanding officer from his superiors, to bolster readiness numbers and advance the chances of a favorable decision by the Navy to begin full-rate production of the MV-22.
- The falsification of maintenance data and readiness records was limited to the period of December 20, 2000, to January 11, 2001.
- The false maintenance data and readiness records, first created on December 20, 2000, did not contribute to either the April 8, 2000, or December 11, 2000, MV-22 mishaps.
- Certain Marine Corps officers condoned the alleged falsification of maintenance data and readiness records and took no action to correct or curtail the false reporting.

The investigation developed evidence identifying possible criminal exposure on the part of eight Marine Corps officers, including the squadron commander. The report of investigation was presented to the Commandant of the Marine Corps to consider appropriate action under the Uniform Code of Military Justice. Nonjudicial punishment was taken by the Commanding General, Marine Forces Atlantic. The squadron commander and his immediate superior received letters of reprimand. A squadron assistant maintenance officer received a verbal admonishment.

CRIMINAL INVESTIGATIVE POLICY AND OVERSIGHT

The Office of Criminal Investigative Policy and Oversight (CIPO) issued two evaluation reports during this period: *Evaluation of Sufficiency of Subpoena Authority within the Department of Defense in Support of General Crimes Investigations*, May 15, 2001, and *Evaluation of Law Enforcement Deputation of DoD GS-083 (Police Officer) Personnel by State and Local Authorities*, June 12, 2001.

The subpoena authority evaluation indicated that the Military Criminal Investigative Organizations lacked effective mechanisms for compelling production of evidence in general crimes investigations. We recommended that action be taken to establish additional subpoena authority within the military justice system. Management concurred.

The deputation evaluation indicated that DoD did not follow a consistent process for the use of deputized law enforcement powers. As a result, law enforcement powers were expanding within DoD without justification

and sufficient oversight. Management concurred with our recommendation to require prior approval by Service Secretaries for Military Department law enforcement organizations and by the Office of the Secretary of Defense for other DoD law enforcement organizations, before a law enforcement organization or person may be deputized. This issue does not relate to the DCIS, which already has full law enforcement authority.

Voluntary Disclosure Program

The Voluntary Disclosure Program encourages contractors to disclose potential criminal or civil fraud that may affect their contractual relationship with DoD or the contractor’s responsibility under the Federal Acquisition Regulation. During this reporting period, the Government recovered \$2.1 million under this program.

ADMINISTRATIVE INVESTIGATIONS

The OIG, DoD, Departmental Inquiries Office conducts investigations and also performs oversight of investigations conducted by the Military Departments. Those investigations pertain to:

- Allegations that members of the armed forces were referred for mental health evaluations in violation of the rights prescribed in the DoD Directive and Instruction pertaining to referrals for mental health evaluations.
- Allegations of reprisal against military members, Defense contractor employees and nonappropriated fund employees.
- Noncriminal allegations against senior military and civilian officials.

Referrals for Mental Health Evaluations

Fourteen cases closed during the reporting period contained allegations of procedural violations for referring military members for mental health evaluations. In 8 of the 14 cases, it was substantiated that commanders failed to follow the proper procedures for referring a Service member for a mental health evaluation under DoD Directive 6490.1, “Mental Health Evaluations of Members of the Armed Forces.” We are working with the Department to find ways to improve the knowledgeability of commanders regarding the Directive’s requirements.

Whistleblower Reprisal Activity

During the reporting period, the Special Inquiries Directorate and the Military Department Inspectors General received 233 complaints of whistleblower reprisal. We closed 187 cases during this period. Of the 187 closed, 136 were closed after preliminary analysis determined further investigation was not warranted, and 51 were closed after full investi-

gation. Of the 51 cases closed after full investigation, 5 (10 percent) contained one or more substantiated allegations of whistleblower reprisal.

Examples of Substantiated Whistleblower Reprisal Cases

An Air Force reserve major in California was removed from his position in reprisal for reporting personnel improprieties to an inspector general and reporting a physical assault to the base security police. The command returned the major to his position and issued oral and written counselings to the responsible management officials who reprised against the major. In addition, the command provided training to squadron and group commanders on the provisions of the Military Whistleblower Protection Act.

An Army sergeant in Germany was threatened with nonjudicial punishment under Article 15 of the Uniform Code of Military Justice and received an unfavorable noncommissioned officer evaluation report in reprisal for making an Equal Employment Opportunity complaint alleging racial harassment by his squad leader. Corrective action is pending.

An Air Force senior airman in Texas received a lowered enlisted performance report in reprisal for reporting a hostile work environment to an inspector general. The responsible management officials who reprised against the senior airman received letters of reprimand.

Senior Official Inquiries

Figures 2 and 3 (page 18) show results of activity on senior official cases during the period. On September 30, 2001, there were 166 ongoing investigations into senior official misconduct throughout the Department, a significant reduction from April 1, 2001, when we reported 222 open investigations. The reduction in the number of open cases is, in part, the result of increased efforts throughout the Department to complete more expeditiously ongoing investigations into allegations involving senior officials, particularly those that had encountered delay. Those efforts resulted in 365 cases closed over the last 6 months, compared to 213 case closures during the previous 6-month period. The resultant number of senior official investigations completed during fiscal year 2001 (578) was the highest number of cases completed during a fiscal year. Of the 578 cases, 89 (15 percent) contained substantiated allegations.

Examples of Cases Involving Senior Officials

In response to concerns expressed by a Member of Congress, we investigated allegations that a senior DoD official made unnecessary and extravagant expenditures of Government funds for maintenance to his official residence and that he used his enlisted aides for unauthorized duties. We examined expenditures for maintenance, repair, and furnishings for the residence over a 3-year period and found most of the expenditures at issue were proper because they supported the official's

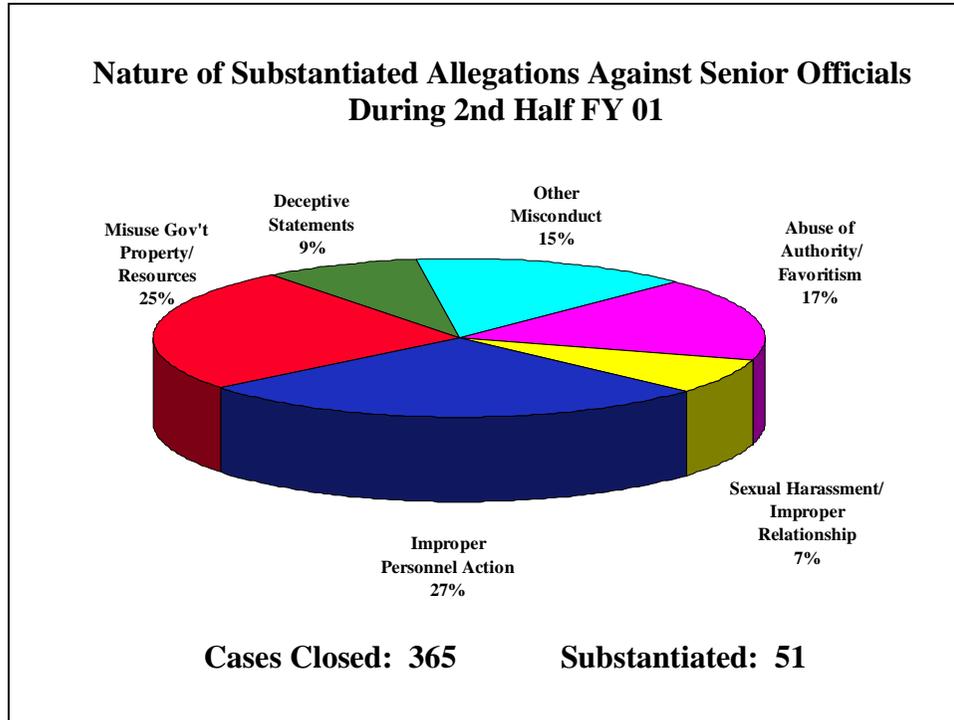


Figure 2

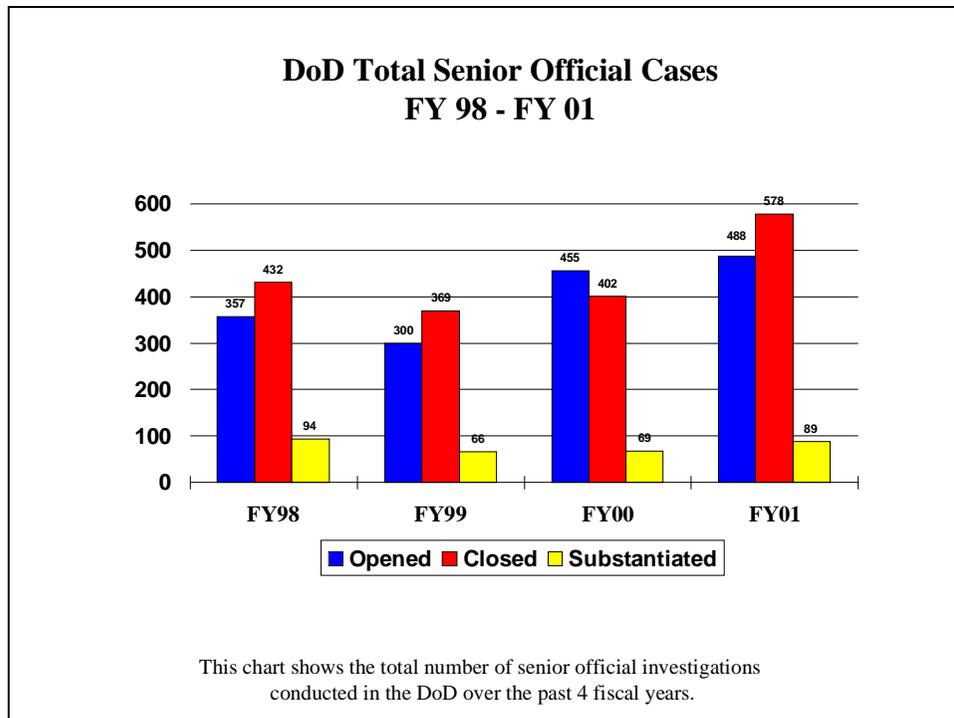


Figure 3

representational duties. We concluded that two minor purchases were unnecessary because they were extravagant or exclusively for the official's personal benefit. We also found that the official used his enlisted aides to undertake major landscaping projects and to service personal recreation equipment--duties inconsistent with DoD policy concerning the use of enlisted aides. The results of the investigation were provided to appropriate management officials for consideration of corrective action.

In another investigation, we substantiated allegations that a senior DoD civilian improperly used a Government vehicle for one leg of his domicile-to-duty commute, arranged official travel for primarily personal reasons, conducted Government travel using first-class accommodations without authorization, and used his public office for the private gain of a family member. The results of the investigation were provided to appropriate management officials for consideration of corrective action. The official has since left Government service.

AUDITING

The central internal audit offices of the DoD are the OIG, DoD, the Army Audit Agency, the Naval Audit Service, and the Air Force Audit Agency. Those organizations issued 233 reports during the reporting period, identifying \$867.4 million potential monetary benefits and assisting the Department's efforts to address the high-risk areas discussed in Chapter One. Appendix A lists internal audit reports by major subject area. Appendices B and C list OIG, DoD, reports with potential monetary benefits and statistically summarize internal audit follow-up activity, respectively.

The Defense Contract Audit Agency (DCAA) provided financial advice to contracting officers in 25,108 reports issued during the period. The cost effectiveness of DoD contract auditing was again evident, as DCAA reports resulted in approximately \$2.8 billion in savings and cost avoidance. Further details are at Appendix D.

Overseas Military Voting

At the request of the Secretary of Defense, the OIG, DoD, reviewed the performance of the Military Postal Service and DoD implementation of the Federal Voting Assistance Program overseas during the November 2000 election. We found no indication of systemic problems in handling military mail, although the distances involved can stretch delivery times and service to or from ships at sea poses special challenges. We also concluded that the DoD Voting Assistance Program was generally well designed, but could be more effectively implemented. One-third of the respondents to our survey stated that, despite the Voting Assistance Program, they did not understand the absentee ballot process. First time

voters in particular had problems that may have led to errors like lack of signatures or late requests for absentee ballots.

The multiplicity and inconsistency of absentee voting rules vastly complicate DoD voter assistance efforts. We endorse Federal and state initiatives to simplify and standardize absentee voting requirements. In addition, our June 2001 report recommended several measures to improve DoD assistance to voters. Management fully concurred.

Computer Cookies

The Consolidated Appropriations Act for Fiscal Year 2001 required Federal IGs to review the collecting, creating, sharing, and reviewing of personally identifiable information and their computer reviewing habits at Government websites. Information gathering devices include software programming known as persistent cookies, third-party cookies, or web bugs.

Our audit indicated widespread noncompliance by DoD web administrators with Federal and DoD policy. For example, 135 of 400 websites in the audit sample used prohibited cookies or web bugs. The Department agreed with the recommendations in our May 2001 report, and the unauthorized devices were removed. The OIG, DoD, prepared a Government-wide summary that indicated similar problems had been uncovered by auditors in most Federal agencies.

Weapons Acquisition Oversight

Our Audit Policy and Oversight report, *Summary of DoD Acquisition Program Audit Coverage*, September 10, 2001, highlighted the very limited amount of internal audit coverage of weapons acquisition programs. As of March 2001, there were 2,531 acquisition programs with estimated costs of \$1.4 trillion. Our survey indicated that 58 audit reports addressed 129 of those programs between October 1999 and March 2001. Nineteen of the reports were from the General Accounting Office, 22 from the OIG, DoD, and 17 from the Service audit organizations. Nearly all of the audits dealt with selected aspects of programs and were not intended to be comprehensive reviews. It is particularly significant that only 14 of the 906 largest programs (2 percent) received evaluations of all significant program elements. Although the acquisition community argues generally that various forms of management oversight make independent audits less necessary in the weapons acquisition area, we concluded otherwise.

The OIG, DoD, audit plan for fiscal year 2001 reflected increased emphasis on weapons acquisition and the plans for current and future years will continue that trend, resources permitting. In view of the large increases

planned for the overall Defense procurement effort, adequate oversight during the next few years will be more important than ever.

**OIG, DoD,
Testimony**

The Deputy Inspector General testified on May 1, 2001, before the Emerging Threats and Capabilities Subcommittee, Senate Armed Services Committee, on National Guard Weapons of Mass Destruction Civil Support Teams. The testimony was a recap of the January 2001 audit report on that subject and the status of the corrective actions being taken by the Department. The Deputy Inspector General noted that the program was behind schedule and lacked sound planning, but expressed optimism that the first 10 teams could be properly certified as being fully operational later in calendar year 2001. Chapter Three provides more details.

On May 8, 2001, the Deputy Inspector General testified before the Subcommittee on Government Efficiency, Financial Management, and Intergovernmental Relations, House Committee on Government Reform, regarding Defense financial management. The testimony was similar to the summaries of DoD financial management reform challenges in Chapter One of the last IG semiannual report and this report.

**INTELLIGENCE
REVIEW**

See the Classified Annex to this report for intelligence review activities during the period, as well as a focus area discussion on Defense Information Assurance.

CHAPTER THREE - RESPONDING TO TERRORISM

INTRODUCTION

The attacks on September 11, 2001, necessitated immediate response by Federal law enforcement agencies, including the Defense Criminal Investigative Organizations. This chapter describes the support provided in the aftermath of the attacks to the Federal investigative task forces and Defense leadership. We anticipate continued participation in Federal counter-terrorism efforts, as well as heightened emphasis on the types of fraud that could hamper military operations, such as product substitution. Historically, the risk of fraud has increased during periods of hostilities.

The DoD audit and inspection organizations are also realigning their coverage to emphasize military readiness, force protection, and homeland defense.

DEFENSE CRIMINAL INVESTIGATIVE SERVICE (DCIS)

The DCIS response to the terrorist attacks in New York and at the Pentagon on September 11, 2001, was immediate and continuous. Approximately 164 agents and support personnel assisted in the investigation at various times after the attack. Soon after American Airlines Flight 77 struck the Pentagon, our agents responded to assist in initial search and rescue efforts and to begin the monumental task of coordinating investigative efforts. As a participant in the FBI investigative task

force, the DCIS was instrumental in setting up and manning the Joint Operations Center at nearby Fort Myer and the DoD Command Post on the scene. DCIS agents, including technical services agents, played an integral role in the evidence recovery and crime scene examination teams. Other agents served in the critical role of sifting through debris for evidence and human remains. We also interviewed potential witnesses and followed up on countless investigative leads. The DoD Hotline office commenced a 24-hour operation in support of the joint effort. DCIS agents from New York, Connecticut, Massachusetts, New Jersey, and Pennsylvania worked in similar roles with regard to the World Trade Center scene.



We also provided assistance at the United Airlines crash scene in Pennsylvania. Working with the FBI task force, DCIS agents arranged for a temporary morgue at a National Guard Center and for a storage site for recovered aircraft pieces at an Army Reserve Center.



The DCIS offices nationwide are providing investigative support to the FBI as part of the continuing task force investigations into the September 11 attacks. Agents in all regions of the country participated in interviews and arrests, served subpoenas, conducted record checks, searches and surveillance, assisted in essential security operations, and provided computer forensics support.

In response to the Attorney General's plan to counter terrorism, DCIS offices nationwide have joined anti-terrorism task forces in judicial districts serving major cities. Similarly, the DCIS continues to provide agents and support in the area of computer network defense. The DCIS also plays an active role in the DoD Joint Task Force for Computer Network Operations and the National Information Protection Center at the Department of Justice.

**U.S. ARMY
CRIMINAL
INVESTIGATIVE
COMMAND
(USACIDC)**

The USACIDC is supporting Army commanders and Federal law enforcement organizations following the recent terrorist incidents. The USACIDC has increased security for all its designated top DoD high risk personnel and is deploying additional Active Duty and Reserve Component agents to augment this effort. Further, vulnerability assessments have been conducted for all Army four-star generals, and advice and/or security support to their staffs have been provided.

The USACIDC supported an interagency and joint military law enforcement investigation at the Pentagon site with over 20 agents on the scene processing evidence and conducting interviews. The USACIDC also established liaison with Mortuary Affairs and Armed Forces Medical Examiner officials to assist in the processing of remains, assigned Liaison Officers to the FBI's Joint Terrorism Task Force Headquarters and Joint Operations Centers in the District of Columbia, and has a full-time criminal intelligence analyst in the Army Anti-terrorism Operations and Intelligence Cell. In New York, the FBI and NYPD established a secondary command center in the Fort Hamilton USACIDC Office.



The USACIDC offices Army-wide are participating in installation force protection councils, disseminating domestic threat intelligence, and coordinating with civilian police and Federal law enforcement agencies.

**NAVAL CRIMINAL
INVESTIGATIVE
SERVICE (NCIS)**

In response to the terrorist attacks, the NCIS established a task force based in the NCIS Anti-Terrorist Alert Center to collect and disseminate intelligence and investigative information related to the incidents at the World Trade Center and the Pentagon. At the Pentagon, a Major Crime Response Team comprised of more than 20 NCIS personnel assisted with the search for survivors, evidence collection, and crime scene documentation. The NCIS continues to provide protective service support to the Secretary of the Navy, the Chief of Naval Operations, and the Commandant of the Marine Corps. Agents are providing around-the-clock support to the Director of Naval Intelligence, the Chief of Naval Operations, and the Emergency Operation Center at the Naval District Washington. Agents were also deployed to the Joint Task Force, Civil Support, Joint Forces Command, for duty in New York City.

The NCIS agents are assisting the FBI at Joint Terrorist Task Forces in Washington, D.C., New York City, Boston, Dallas, Norfolk, Los Angeles, San Diego, Seattle, and Pittsburgh, and at the FBI's Strategic Information Operation Center in Washington, D.C. The NCIS has been actively engaged with the FBI in coordinating worldwide investigative efforts.

Additionally, the NCIS established a multi-disciplinary Counter Terrorism Task Force (CTTF). A Command Center for the CTTF will ensure timely communication and coordination with other agencies.

Sixteen agents are being deployed on temporary duty as a Special Contingency Group to augment the NCIS Middle East Field Office, Bahrain, in support of *Operation Enduring Freedom*. Many of these agents will be integrated into various USN Central Command staff functions and will be responsible for counterintelligence assistance. Additional augmentation of the Bahrain Field Office will occur as necessary.

The NCIS continues its mission to detect, identify, deter, and interdict multiple threats to the Department of the Navy, both domestically and abroad.

**AIR FORCE OFFICE
OF SPECIAL
INVESTIGATIONS
(AFOSI)**

Immediately after the tragic events of September 11, 2001, the AFOSI 33rd Field Investigative Squadron (FIS) at Andrews Air Force Base, Maryland, became fully engaged in joint investigative operations in the Washington, D.C., metropolitan area. Teams worked around the clock at the Pentagon and elsewhere, providing the full spectrum of AFOSI capability. This included crime scene processing, protective services, and counterintelligence efforts. The 33rd FIS was heavily supported and augmented with Headquarters AFOSI personnel during this emergency. About 88 agents participated in the Pentagon investigation.

The AFOSI agents were engaged in FBI Joint Terrorism Task Forces at nine major cities. For example, AFOSI provided immediate augmentation to the FBI Task Force in New York with 10 agents. In addition, 12 agents supported national level efforts such as the HQ FBI Command, the Defense Intelligence Agency Threat Warning Center, the FBI National Infrastructure Protection Center, National Security Agency, and the Central Intelligence Agency Counterterrorism Center. An additional 62 agents provided 24-hour support to the Air Force. Of those, 18 provided protective services to senior Air Force leaders, 20 were dedicated to the AFOSI Anti-Terrorism Intelligence Cell, 20 were dedicated to the AFOSI Crisis Action Team (CAT), and 4 forensics specialists were deployed to Dover Air Force Base, Delaware, to process evidence and identify remains.

All AFOSI Regions established 24-hour operations to facilitate the flow of information. Region commanders coordinated requirements for resources and requests for assistance from other agencies through the HQ AFOSI Operations Center.

Priority was placed on activities that ensured continued protection of our forces. The USAF commanders, as well as Threat Working Groups, were kept informed of developments. Hourly status updates were provided to the Air Force Operation Center for the Secretary of the Air Force and the Chief of Staff. The AFOSI provided vetted, fact-based data to senior decision-makers, such as names/backgrounds of subjects, up-to-date information on the hijackings and number of aircraft involved, modus operandi of subjects, passenger manifests, and factual information on terrorist acts reported by the media.

At the headquarters level, the Director of Operations established three major cells, all working 24/7. The CAT was the Operations Center Command and Control Function and the Investigative Leads Control Center. The AFOSI Intelligence/Analysis Cell focused on analyzing

voluminous data received and intelligence reports. This cell's mission was to provide threat assessments for USAF senior leadership. The Readiness/Mobility Cell worked issues concerning deployment of AFOSI personnel, readiness, war planning, and reserve activation issues, among others.



AUDIT AND INSPECTION ACTIVITIES

When *Operation Enduring Freedom* began, the OIG, DoD, formed a Special Oversight Coordination Group to ensure close coordination of audits and inspections related to homeland defense, chemical and biological defense readiness, and matters related to counterterrorist military operations. Representatives of the OIG, DoD, the Military Department audit and inspection agencies, the Joint Staff, and the General Accounting Office generally meet weekly to identify the numerous pertinent requests for oversight coverage received from Congress and DoD leaders, determine the most efficient mode of responding without burdening the warfighters, and expedite feedback to the requestors of audits and inspections. This approach proved highly useful during the Gulf War.

We are taking similar measures to coordinate the redirection and reprioritization of intelligence oversight activities, as discussed in the classified supplement to this report. In that classified annex, we also

discuss information assurance, which has assumed even greater importance during the ongoing hostilities.

In January 2001, we reported that the program to establish 27 National Guard Weapons of Mass Destruction - Civil Support Teams was behind schedule; none of the first increment of 10 teams was able to earn certification as operationally ready; and the program required restructuring and redirection. The Department undertook a major effort to improve the program, and OIG, DoD, auditors participated on a working group that oversaw rigorous evaluation and corrective action for each team. We are pleased to be able to report that all 10 teams are now operationally ready and assisting in responses to incidents involving potentially hazardous substances. An additional 22 teams are being equipped and trained. Although the future of this program remains contentious, the availability of the certified teams should be helpful to homeland defense planners and coordinators.

PCIE/ECIE AWARDS

The Fourth Annual President's Council on Integrity and Efficiency/Executive Council on Integrity and Efficiency (PCIE/ECIE) Awards Ceremony was held on October 17, 2001, in Washington, D.C. Numerous Office of the Inspector General, Department of Defense, employees received these prestigious awards. We salute the following award winners.

AWARDS FOR EXCELLENCE - AUDIT

Acquisition Program Audits - John E. Meling, Harold C. James, Douglas P. Neville, and Jack D. Snider

For exceptional performance in conducting a series of audits of acquisition program management that identified nearly half a billion dollars in funds that could be put to better use.

Personnel Security Program Audits - R. Keith West and Lois A. Therrien

For exceptional performance in conducting a series of audits of the Personnel Security Program that resulted in the establishment of a uniform priority system for security clearance investigations.

AWARDS FOR EXCELLENCE - EVALUATION

Interagency Review of the Commerce Control List and the U.S. Munitions List - Evelyn Klemstine and Tim Moore

For exceptional performance as part of an interagency team reviewing the Commerce Control List and the U.S. Munitions List.

Review of Overseas Absentee Ballots - Michael A. Joseph and Timothy J. Tonkovic

For exceptional performance in evaluating DoD's handling of the overseas absentee ballots from the 2000 Presidential election.

PCIE Information Technology Roundtable Survey of Information Technology Resources and Activities - Kathryn M. Truex, Robert M. Anastasi, and Anella J. Oliva

For exceptional performance as part of the PCIE Information Technology Roundtable Committee team that conducted an extensive analysis of the OIG community in order to provide a general understanding of the community's information technology resource and needs.

Awards for Excellence - Multi-Discipline

Anthrax Vaccine Investigation Task Force - William J. Strauch, Thomas E. Trela, Glenn Caiola, Christopher Hale, Timothy Robertson, and Cindy Stroot

For the outstanding multi-disciplinary effort and teamwork exemplified in the investigation involving the procurement of the anthrax vaccine for the Department of Defense.

APPENDIX A*

REPORTS ISSUED BY CENTRAL DOD INTERNAL AUDIT ORGANIZATIONS

Excludes base level reports issued by the Air Force Audit Agency. Includes evaluation reports issued by the OIG, DoD.

Copies of reports may be obtained from the appropriate issuing office by calling:

OIG, DoD
(703) 604-8937

Army Audit Agency
(703) 681-9863

Naval Audit Service
(202) 433-5737

Air Force Audit Agency
(703) 696-8027

Summary of Number of Reports by Issue Area April 1 - September 30, 2001

	OIG, DoD	Military Depts.	Total
Acquisition Program	10	8	18
Construction and Installation Support	2	10	12
Contractor Oversight	10	15	25
Environment	1	3	4
Finance and Accounting	38	48	86
Health Care and Morale	3	11	14
Information Technology	16	9	25
Intelligence**	1	5	6
Logistics	6	28	34
Other	6	2	8
Total**	93	139	232

The OIG, DoD, also issued 1 report and the Military Department audit agencies issued 6 reports on audit oversight reviews.

* Fulfills requirements of 5 U.S.C., Appendix 3, Section 5(a)(6).

** For further information on intelligence-related reports, including those issued by other Defense agencies, refer to the classified annex to this report.

ACQUISITION PROGRAM

(Includes issues relating to acquisition management.)

IG, DoD

D-2001-103 Acquisition of the Joint Helmet Mounted Cueing System (4/18/01)

D-2001-106 Powered-Low Cost Autonomous Attack System Advanced Technology Demonstrator (5/7/01)

D-2001-111 Acquisition of the Airborne Laser Mine Detection System (5/2/01)

D-2001-115 Reconnaissance, Surveillance, and Targeting Vehicle Program (5/8/01)

D-2001-124 U.S. Special Operations Command Use of Alternative or Compensatory Control Measures (CLASSIFIED) (5/18/01)

D-2001-132 Funding and Logistics for the Joint Helmet Mounted Cueing System (5/31/01)

D-2001-138 Acquisition of the Joint Biological Point Detection System (6/13/01)

D-2001-164 Implementation of a Cost-Accounting System for Visibility of Weapon Systems Life-Cycle Costs (8/1/01)

D-2001-176 Survey of Acquisition Manager Experience Using the DoD Joint Technical Architecture in the Acquisition Process (8/22/01)

D-2001-178 Summary of DoD Acquisition Program Audit Coverage (9/10/01)

Army Audit Agency

AA01-341 Global Combat Support System-Army Program Contracts (6/22/01)

AA01-442 Initial Brigade Combat Team Materiel Requirements (9/21/01)

Naval Audit Service

N2001-0031 Marine Corps Total Ownership Cost-Reduction Plans (6/19/01)

N2001-0036 Navy's Reliability Assessment Process for Air-Launched Precision-Guided Munitions (7/6/01)

Air Force Audit Agency

00064001 Space Based Infrared System Integrated Product Team Participation (7/16/01)

00064002 Airborne Laser Program Integrated Product Team Participation (Phase II) (4/17/01)

01064024 Memorandum Report, Acquisition of Theater Battle Management Core System (7/30/01)

99064010 Tunner Loader Acquisition Program Management (5/10/01)

CONSTRUCTION AND INSTALLATION SUPPORT

(Includes construction and all activities related to maintenance and support of installations.)

IG, DoD

D-2001-104 Bulk Fuel Related Projects at Naval Station Rota and Moron Air Base, Spain (4/19/01)

D-2001-134 Bulk Fuel Infrastructure Military Construction Project Review Process: Pacific (6/4/01)

Army Audit Agency

AA01-235 Replacement Options for the Fort Shafter Army Education Center (4/20/01)

AA01-271 Base Closure and Realignment Implementation--Stratford Army Engine Plant (5/9/01)

AA01-333 Army Stationing and Installation Plan (6/29/01)

AA01-363 Space Utilization of Storage and Warehouse Facilities (7/31/01)

AA01-373 Army Stationing and Installation Plan (7/27/01)

AA01-374 Space Utilization of Classroom and Training Facilities (7/30/01)

AA01-398 Space Utilization of Storage and Warehouse Facilities (8/13/01)

AA01-399 Space Utilization of Administrative Facilities (8/17/01)

AA01-420 Army Forestry Program (8/22/01)

Air Force Audit Agency

01052013 Air Force Contract Augmentation Program Support for Operations SUSTAIN HOPE and NOBLE ANVIL (8/9/01)

CONTRACTING OVERSIGHT

(Includes issues relating to contract administration and

oversight, commercial activities, and product quality assurance.)

IG, DoD

D-2001-094 Management of Contracts for F110 Engine Procurements (4/4/01)

D-2001-102 Service Contracts at the National Security Agency (CLASSIFIED) (4/17/01)

D-2001-118 Public/Private Competition at Lackland Air Force Base (FOR OFFICIAL USE ONLY) (5/14/01)

D-2001-125 Procurement Actions Related to the 3.0 Managed Care Support Services Request for Proposal (5/22/01)

D-2001-129 Contracting Officer Determinations of Price Reasonableness When Cost or Pricing Data Were Not Obtained (5/30/01)

D-2001-150 DoD Review of Flight Safety Critical Threaded Fasteners and Components (6/25/01)

D-2001-167 Independent Review of the Cost Comparison Study of Military Retired and Annuitant Pay Functions (8/2/01)

D-2001-171 Industrial Prime Vendor Program at the Naval Aviation Depot - Cherry Point (8/6/01)

D-2001-173 Independent Review of the Defense Finance and Accounting Service Cost Comparison Study of Civilian Pay Function (8/14/01)

D-2001-189 Multiple Award Contracts for Services (9/30/01)

Army Audit Agency

AA01-239 Administering Service Contracts--Contract DAAH03-00-D-0004 (4/3/01)

AA01-240 Administering Service Contracts--Contract DAAH03-00-C-0001 (4/3/01)

AA01-241 Administering Service Contracts--Contract DAAH03-00-D-0001 (4/3/01)

AA01-304 Administering Service Contracts--Contract DAAH01-00-C-0006 (Patriot Weapon System) (5/22/01)

AA01-305 Administering Service Contracts--Contract DAAH01-99-C-0138 (Hawk Missile Maintenance And Repair) (5/22/01)

AA01-317 Army Space Program Office (5/24/01)

AA01-366 Administering Service Contracts--Contract DAAH03-97-C-0025 (Dining Facility) (7/3/01)

AA01-377 Administering Service Contracts--Contract DAAH03-00-D-0003 (Custodial Services) (7/17/01)

AA01-378 Administering Service Contracts--Contract DAAH01-97-C-0218 (Command and Control Systems) (7/18/01)

AA01-382 Administering Service Contracts--Contract DAAH03-99-D-0005 (Grounds Maintenance) (7/31/01)

AA01-383 Administering Service Contracts--Contract DAAH03-99-D-0007 (Base Operations) (9/5/01)

AA01-395 Energy Savings Performance Contracts: Walter Reed Army Medical Center, Washington, DC (9/14/01)

AA01-466 Energy Savings Performance Contracts: U.S. Army Infantry Center and Fort Benning, Fort Benning, GA (9/20/01)

AA01-471 Energy Savings Performance Contracts: U.S. Army Joint Readiness Training Center and Fort Polk, Fort Polk, LA (9/24/01)

Air Force Audit Agency

00061010 Contract Cost Performance Following Office of Management and Budget Circular A-76 Review (4/20/01)

ENVIRONMENT

(Includes environmental issues related to cleanup, compliance, conservation, pollution prevention, technology, safety, and health.)

IG, DoD

D-2001-105 Implementation of National Defense Center for Environmental Excellence (4/25/01)

Army Audit Agency

AA01-244 Remedial Activities at the Linde Site (4/16/01)

AA01-276 Alternative Fuel Vehicle Program (5/23/01)

Naval Audit Service

N2001-0041 Credit Card Procurements of Hazardous Materials (8/10/01)

FINANCE AND ACCOUNTING

(Includes finance and accounting issues, including all issues relating to the Chief Financial Officers (CFO) Act.)

IG, DoD

D-2001-097 Preparing Financial Reports for Marine Corps Appropriations (4/12/01)

D-2001-099 Use of Contract Authority for Distribution Depots by the Defense Logistics Agency (4/16/01)

D-2001-100 Promptness and Completeness of FYs 2000 and 2001 DoD Payments to the U.S. Treasury for Water and Sewer Services Provided by the District of Columbia (4/13/01)

D-2001-107 Accounting Entries Made by the Defense Finance and Accounting Service Omaha to U.S. Transportation Command Data Reported in DoD Agency-Wide Financial Statements (5/2/01)

D-2001-108 Recognition of Revenues and Expenses in the Defense Business Management System (4/27/01)

D-2001-109 DoD Payroll Withholding Data for FY 2000 (4/27/01)

D-2001-110 Defense Health Program Funds Administered as Part of the TRICARE Program (4/30/01)

D-2001-114 DoD Contractor Debt Collection Process (5/7/01)

D-2001-116 Compilation of the FY 2000 Financial Statements for Other Defense Organizations-General Funds (5/8/01)

D-2001-117 Management Controls Over the FY 2000 National Drug Control Program Funds Managed Through the DoD Central Transfer Account (5/10/01)

D-2001-122 Journal Vouchers for FY 2000 Department of the Navy General Fund Financial Reporting (5/16/01)

D-2001-123 Hotline Allegations Regarding Accounting for the Defense Information Systems Agency Working Capital Fund (5/21/01)

D-2001-126 Financial Reporting of DLA-Owned Bulk Petroleum Products (5/23/01)

D-2001-135 Prevalidation of Intergovernmental Transactions (6/6/01)

D-2001-139 Compiling and Reporting FY 2000 Navy Working Capital Fund Intra-governmental Transactions (6/18/01)

D-2001-144 Financial Management of the Weapons of Mass Destruction Consequence Management Program (6/20/01)

D-2001-146 Inventory Valuation at the Defense Supply Center Philadelphia (6/21/01)

D-2001-148 Automated Transportation Payments (6/22/01)

D-2001-153 Pentagon Reservation Maintenance Revolving Fund (7/2/01)

D-2001-154 Beneficiary Data Supporting the DoD Military Retirement Health Benefits Liability Estimate (7/5/01)

D-2001-155 Compilation of the FY 2000 Navy Working Capital Fund Financial Statements (7/3/01)

D-2001-156 Air Force FY 2000 Financial Reporting of Operating Materials and Supplies (7/5/01)

D-2001-158 Compilation of the FY 2000 Army General Fund Financial Statements at the Defense Finance and Accounting Service Indianapolis (Sustaining Forces) (7/13/01)

D-2001-159 Promptness and Completeness of FY 2001 Fourth Quarter DoD Payments to the U.S. Treasury for Water and Sewer Services Provided by the District of Columbia (7/13/01)

D-2001-160 Accounting for Economy Act Orders by the Navy Working Capital Fund Organizations (7/18/01)

D-2001-161 Unliquidated Obligations for Air Force-Funded Projects Administered by the Naval Facilities Engineering Command (7/26/01)

D-2001-162 Accounting Entries Made in Compiling the FY 2000 Air Force General Funds Financial Statements (7/26/01)

D-2001-163 Accounting Entries Made in Compiling the FY 2000 Financial Statements for the Working Capital Funds of the Air Force and Other Defense Organizations (7/26/01)

D-2001-165 Defense Departmental Reporting System-- Audited Financial Statements (8/3/01)

D-2001-169 United States Special Operations Command's Reporting of Real and Personal Property Assets on the FY 2000 DoD Agency-Wide Financial Statements (8/2/01)

D-2001-170 U.S. Transportation Command's Reporting of Property, Plant, and Equipment Assets on the FY 2000 DoD Agency-Wide Financial Statements (8/3/01)

D-2001-172 Data Supporting the Environmental Liability Reported on the FY 2000 Financial Statements (8/10/01)

D-2001-174 FY 2000 DoD Superfund Financial Transactions (8/16/01)

D-2001-177 Compilation of the FY 2000 Army Working Capital Fund Financial Statements (8/31/01)

D-2001-180 Financial Information Compiled by DoD Field Accounting Sites (9/13/01)

D-2001-181 Compilation of the FY 2000 DoD Agency-Wide Financial Statements (9/19/01)

D-2001-185 FY 2000 U.S. Army Corps of Engineers Obligations for DoD Component Contracts (9/21/01)

D-2001-188 Revised DoD Progress Payment Practices (9/27/01)

Army Audit Agency

AA01-140 The Discontinue Research Process (5/31/01)

AA01-151 National Science Center Special Fund Financial Statement (9/25/01)

AA01-154 Recommended Adjustments to the Army Working Capital Fund FY 00 Financial Statements Version Two (5/14/01)

AA01-237 Army's General Fund Principal Financial Statements for Fiscal Year 2000-- Wholesale Munitions Reporting Followup Issues (5/3/01)

AA01-253 Army's General Fund Principal Financial Statements for Fiscal Year 2000-- Progress in Correcting Real Property Reporting & Internal Control Weaknesses (5/1/01)

AA01-256 Financial Management of the Assembled Chemical Weapons Assessment Program (5/3/01)

AA01-257 Army's General Fund Principal Financial Statements for Fiscal Year 2000-- Supplemental Stewardship Reporting of National Defense Equipment (5/10/01)

AA01-258 Army's General Fund Principal Financial Statements for Fiscal Year 2000-- Financial Reporting of Army General Equipment (5/22/01)

AA01-270 Consigned Inventory--Army Working Capital Fund FY 00 Financial Statements (5/14/01)

AA01-274 Accounts Payable (7/23/01)

AA01-286 Financial Management of the Army's Distance Learning Program (6/20/01)

AA01-309 Internal Controls Over Selected Equity Accounts-- Army Working Capital Fund FY 00 Financial Statements (6/8/01)

AA01-310 Army's General Fund Principal Financial Statements for Fiscal Year 2000-- Fund Balance with Treasury and Statement of Budgetary Resources (6/19/01)

AA01-319 Corps of Engineers Financial Management System-- General and Application Controls (6/26/01)

AA01-329 Army's General Fund Principal Financial Statements for Fiscal Year 2000-- Adjustments to Financial Information at DFAS - St. Louis (6/29/01)

AA01-332 Army's General Fund Principal Financial Statements for Fiscal Year 2000-- Financial Reporting of Liabilities: Data Collection and Compilation (6/29/01)

AA01-400 Internal Controls Over Selected Equity Accounts, Wholesale Supply Operations-- Army Working Capital Fund FY 00 Financial Statements (8/10/01)

AA01-402 Internal Controls Over Selected Equity Accounts, Depot Maintenance and Ordnance--Army Working Capital Fund FY 00 Financial Statements (8/13/01)

AA01-416 Quarterly Review of Unliquidated Obligations for the Chemical Demilitarization Program (8/29/01)

AA01-423 Compilation Process FY 00 Statement Of Financing-- Army Working Capital Fund (8/27/01)

AA01-443 Compilation of Army Working Capital Fund FY 00 1307 Accounting Report (9/17/01)

Naval Audit Service

N2001-0023 Department of the Navy Working Capital Fund Inventory Valuation (5/9/01)

N2001-0025 Financial Records of Selected Navy Working Capital Fund Activities Closed by the Base Realignment and Closure Commission (5/22/01)

N2001-0029 Department of the Navy Principal Statements for FY 2000: Feeder Systems and Interfaces (6/1/01)

N2001-0033 FY 2000 Department of the Navy General Fund Financial Statements: Navy Problem Disbursement Resolution Process (6/28/01)

N2001-0034 Department of the Navy Working Capital Fund FY 2000 Personal Property (6/28/01)

N2001-0035 FY 2000 General Fund Financial Accounting Performed by Defense Finance and Accounting Service Norfolk (7/3/01)

N2001-0038 Navy Obligations Recorded in the Standard Accounting and Reporting System (7/18/01)

N2001-0039 Department of the Navy Working Capital Fund FY 2000 Marine Corps Inventory (7/25/01)

N2001-0040 Implementing the Defense Property Accountability System at Navy Working Capital Fund Activities (8/01/01)

Air Force Audit Agency

00052016 Financial Accounting for Relocation of the 126th Air Refueling Wing and Related Units (8/8/01)

00053001 Accounting for Selected Assets and Liabilities - Fund Balance With Treasury, FY 2000 (7/26/01)

00053005 Accounting for Air Force Liabilities, FY 2000 (8/31/01)

00053006 Accounting for Air Force Real Property, FY 2000 (8/31/01)

00053007 Revenue and Other Financing Sources - Obligations, FY 2000 (9/18/01)

00053008 Supplementary Stewardship Reporting, FY 2000 (8/10/01)

00054003 Non-Federal Reimbursements (4/30/01)

00054006 Air Force Restoration Information Management System Controls (5/18/01)

00054030 Section 363 Inventory of Property, Plant, and Equipment (6/15/01)

00066013 Stock Number User Directory Controls (6/21/01)

00068002 Air Force Working Capital Fund FY 2000 Collections and Disbursements (7/13/01)

00068023 Air Force Working Capital Fund, FY 2000 Statement of Budgetary Resources - Selected Wholesale Supply General Ledger Accounts (9/21/01)

01053012 Revenue and Other Financing Sources - Resources Provided, FY 2000 (8/24/01)

01053013 Military Personnel Costs, FY 2000 (7/26/01)

01053014 Civilian Pay, FY 2000 (7/23/01)

01054010 Office of Special Investigation Confidential Investigative Contingency Funds (9/4/01)

01064018 Memorandum Report, Pacific Air Forces' Programming and Budgeting Actions Associated With Office of Management and Budget Circular A-76 Reviews (9/21/01)

99068009 Selected General Ledger Accounts Impacting Air Force Working Capital Fund, FY 1999 Budgetary Resources (4/2/01)

HEALTH CARE AND MORALE ISSUES

(Includes health care issues such as military treatment facilities and TRICARE and morale issues such as commissaries, nonappropriated funds, human resource management, compensation, and other quality of life issues.)

IG, DoD

D-2001-142 The Gulf War Nuclear, Biological, and Chemical Lessons Learned (6/19/01)

D-2001-145 Overseas Absentee Ballot Handling in DoD (6/22/01)

D-2001-147 Disposition of Insurance Allotment Payments (6/21/01)

Army Audit Agency

AA01-184 Bingo Operations (7/24/01)

AA01-267 Morale, Welfare and Recreation Activities--Financial Controls (5/1/01)

AA01-327 Nonappropriated Fund Payroll for Local Nationals (6/28/01)

AA01-479 Nonappropriated Fund Payroll (9/25/01)

Naval Audit Service

N2001-0022 Quality Assurance Review of Selected Regions of Marine Corps Nonappropriated Fund Audit Service (4/30/01)

N2001-0030 Management of the Navy's Individual Ready Reserve Program (6/7/01)

N2001-0032 Opportunities Exist to Expedite Medical Board Processing (6/26/01)

Air Force Audit Agency

00051005 Private Organizations Supporting Air Force Field Museums and Heritage Centers (5/8/01)

00051011 Followup Audit, Third Party Collection Program (4/26/01)

01051015 Third Party Collection Program - Pharmaceuticals (8/8/01)

01058017 Air Force Security Forces Contingency Deployment Training (8/31/01)

INFORMATION TECHNOLOGY RESOURCES

(Includes automated systems; information technology resources; and command, control and communications (c3) systems.)

IG, DoD

D-2001-095 Controls for the Electronic Data Interchange at the Defense Finance and Accounting Service Columbus (4/6/01)

D-2001-096 Management of Information Technology Equipment, Office of the Secretary of Defense (4/9/01)

D-2001-101 Controls Over Electronic Document Management (4/16/01)

D-2001-112 Acquisition Management of the Joint Personnel Adjudication System (5/5/01)

D-2001-121 Use of the DoD Joint Technical Architecture in the Acquisition Process (5/14/01)

D-2001-127 Data Reliability Assessment Review of win.Compare2 Software (5/23/01)

D-2001-130 DoD Internet Practices and Policies (5/31/01)

D-2001-136 Defense Clearance and Investigations Index Database (6/7/01)

D-2001-137 Certification of the Defense Civilian Personnel Data System (6/7/01)

D-2001-141 Allegations to the Defense Hotline on the Defense Security Assistance Management System (6/19/01)

D-2001-166 Defense Joint Military Pay System Security Functions at Defense Finance and Accounting Service Denver (8/3/01)

D-2001-168 Acquisition Management of the Global Transportation Network (8/2/01)

D-2001-175 Application of Year 2000 Lessons Learned (8/22/01)

D-2001-182 Information Assurance Challenges – A Summary of Results Reported April 1, 2000 Through August 22, 2001 (FOR OFFICIAL USE ONLY) (9/19/01)

D-2001-183 Implementation of DoD Information Security Policy for Processing Accomplished at Defense Enterprise Computing Centers (9/19/01)

D-2001-184 FY 2001 DoD Information Security Status for Government Information Security Reform (9/19/01)

Army Audit Agency

AA01-314 National Guard Bureau Dedicated Fiber Optics Network Project (6/5/01)

AA01-362 Internet Access for Selected Standard Army Management Information Systems (6/29/01)

Naval Audit Service

N2001-0047 Enterprise Resource Planning Data Conversion Validity at Space and Naval Warfare Systems Center, San Diego, CA (9/28/01)

Air Force Audit Agency

00058009 Local Telephone Number Requirements (9/4/01)

00066006 Implementation of Network Management System/Base Information Protection Program (5/1/01)

00066030 Air Force Use of Enterprise Licenses for Computer Software (9/25/01)

01066002 Database Security Controls (6/7/01)

01066018 Access Controls at Air Force High Performance Computing Centers (6/26/01)

99066040 Air Force Research Laboratory UNIX-Based Computer Systems (5/21/01)

INTELLIGENCE

(Includes issues relating to intelligence programs and other classified operations.)

IG, DoD

D-2001-098 Development of Radio Frequency Weapons Threat Assessments (CLASSIFIED) (4/16/01)

Army Audit Agency

AA01-376 Secure Environment Contracting (7/16/01)

Naval Audit Service

N2001-0028 Emergency and Extraordinary Expenses at the Office of Naval Intelligence (CLASSIFIED) (5/31/01)

N2001-0037 Cash Transfers (CLASSIFIED) (7/13/01)

Air Force Audit Agency

01058012 Followup Audit, Senior Year and Distributed Common Ground System Financial Management (5/17/01)

01058015 Distributed Common Ground System Program Management (8/28/01)

(See classified annex to this report for additional information, including reports issued by other components of the intelligence oversight community.)

LOGISTICS

(Includes issues relating to supply systems; transportation including fuels; maintenance of weapon systems; foreign military sales; foreign military financing; and international military education and training.)

IG, DoD

D-2001-119 Assessment of Inventory and Control of Department of Defense Military Equipment (5/10/01)

D-2001-128 Government Performance and Results Act Goals: Surge Sealift and Forces Supported by Land- and Sea-Based Pre-Positioning(5/23/01)

D-2001-131 Items Excluded From the Defense Logistics Agency Defense Inactive Item Program (5/31/01)

D-2001-149 Coordinating and Tracking of Commercial Containers in Korea (6/22/01)

D-2001-186 Accountability and Control of Materiel at the Tobyhanna Army Depot – Stockage of Communications-Electronics Materiel (9/21/01)

D-2001-187 Defense Logistics Agency Items Supporting Obsolete Army Weapon Systems (9/27/01)

Army Audit Agency

AA01-255 Technology Transfers in Special Programs (5/31/01)

AA01-277 Technology Transfers of Classified and Sensitive Information (5/18/01)

AA01-285 Distance Learning Facilities and Hardware Acquisition Structure (6/29/01)

AA01-335 Establishment of Unique Item Tracking Repository for Category I Munitions (6/18/01)

AA01-349 Electronic Technical Manuals (6/29/01)

AA01-350 Fuel Point Operations (6/29/01)

AA01-357 Army Modernization Training (New Equipment Training) (6/29/01)

AA01-360 Depot Maintenance Workload Reporting FY 00 and Out Years (7/12/01)

AA01-394 Customer-Wait-Time (8/10/01)

AA01-448 Army Workload and Performance – Ammunition (9/21/01)

Naval Audit Service

N2001-0020 Acquisition and Maintenance of Consolidated Automated Support Systems (4/5/01)

N2001-0021 Department of the Navy's Cost Reduction and Effectiveness Improvement Process (4/27/01)

N2001-0024 Ordnance Inventory Statistical Sampling Methodology (5/9/01)

N2001-0042 Marine Corps Logistics Campaign Plan to Enhance Logistics Support for Operations (8/10/01)

N2001-0043 Marine Corps F/A-18 Readiness Reporting (8/10/01)

N2001-0044 Marine Corps Logistics Campaign Plan to Implement Best Practices (Innovation) (8/14/01)

Air Force Audit Agency

00058003 War Reserve Materiel Requirements for Subsistence (U) (CLASSIFIED) (4/6/01)

00058014 Space-Related Ground Facility Security (8/31/01)

00061029 Government Loaned Assets (9/27/01)

00062001 Sacramento Air Logistics Center Workload Transition (4/20/01)

00062017 San Antonio Air Logistics Center Workload Transition (9/26/01)

00062020 Followup Audit, Software Support for Foreign Military Sales of F-16 Aircraft (4/26/01)

00062022 Depot Maintenance Tool Management (8/29/01)

01058004 Aerospace Expeditionary Force Planning (7/12/01)

01062003 Air Mobility Command Engine Repair Center Staffing (8/10/01)

01062009 Commodity Quality Deficiency Management (8/10/01)

99061019 Aircraft Engine Life-Limited Item Requirements (7/26/01)

99061021 F100-PW-220E Engine Upgrade Program (4/13/01)

OTHER

IG, DoD

D-2001-133 Deliberate Planning for Meteorological and Oceanographic Operations (CLASSIFIED) (6/1/01)

D-2001-143 Operations of the National Assessment Group (CLASSIFIED) (6/19/01)

D-2001-151 Meteorological and Oceanographic Support in the Pacific Theater (6/28/01)

D-2001-152 Meteorological and Oceanographic Support in the European Theater (6/28/01)

D-2001-157 Global Command and Control System – Meteorological and Oceanographic Application (7/11/01)

D-2001-179 Military Aircraft Accident Investigation and Reporting (9/10/01)

Naval Audit Service

N2001-0026 Potential Monetary Benefits (5/24/01)

N2001-0046 Clerical and Administrative Functions at the Naval Aviation Depot, Cherry Point, NC (8/31/01)

AUDIT OVERSIGHT REVIEWS

IG, DoD

D-2001-6-005 Report on Quality Control Review of Deloitte & Touche, LLP, and Defense Contract Audit Agency for Office of Management and Budget Circular A-133 Audit Report of Pennsylvania State University, Fiscal Year Ended June 30, 1999 (5/1/01)

Army Audit Agency

AA01-299 Army Internal Review Quality Control Program (6/29/01)

AA01-300 Army Internal Review Quality Control Program (6/29/01)

AA01-301 Army Internal Review Quality Control Program (6/29/01)

AA01-302 Army Internal Review Quality Control Program (6/29/01)

AA01-303 Army Internal Review Quality Control Program (6/29/01)

AA01-355 Army Internal Review Quality Control Program (Year Ended 31 March 2000) (7/20/01)

APPENDIX B*
INSPECTOR GENERAL, DoD, AUDIT REPORTS ISSUED CONTAINING
QUANTIFIABLE POTENTIAL MONETARY BENEFITS

Audit Reports Issued	Potential Monetary Benefits	
	Disallowed Costs ¹	Funds Put to Better Use
D-2001-094 Management of Contracts for F110 Engine Procurements (4/4/01)	N/A	\$1,050,000
D-2001-103 Acquisition of the Joint Helmet Mounted Cueing System (4/18/01)	N/A	17,000,000
D-2001-114 DoD Contractor Debt Collection Process (5/7/01)	N/A	12,600,000
D-2001-131 Items Excluded From the Defense Logistics Agency Defense Inactive Item Program (5/31/01)	N/A	61,200,000
D-2001-134 Bulk Fuel Infrastructure Military Construction Project Review Process: Pacific (6/4/01)	N/A	26,000,000
D-2001-138 Acquisition of the Joint Biological Point Detection System (6/13/01)	N/A	57,800,000
D-2001-149 Coordinating and Tracking of Commercial Containers in Korea (6/22/01)	N/A	149,000
D-2001-171 Industrial Prime Vendor Program at the Naval Aviation Depot - Cherry Point (8/6/01)	N/A	667,000
Totals	0	\$176,466,000
*Fulfills the requirement of 5 U.S.C., Appendix 3, Section 5(a)(6)		
¹ There were no OIG audit reports during the period involving disallowed costs.		

APPENDIX C*
FOLLOWUP ACTIVITIES

DECISION STATUS OF INSPECTOR GENERAL ISSUED REPORTS WITH RECOMMENDATIONS THAT FUNDS BE PUT TO BETTER USE¹ (\$ in thousands)		
Status	Number	Funds Put to Better Use
A. For which no management decision had been made by the beginning of the reporting period.	40	\$84,272
B. Which were issued during the reporting period.	93	176,516
Subtotals (A+B)	133	260,788
C. For which a management decision was made during the reporting period.	97	186,321
(i) dollar value of recommendations that were agreed to by management		
- based on proposed management action		73,005
- based on proposed legislative action		
(ii) dollar value of recommendations that were not agreed to by management ²		113,316
D. For which no management decision has been made by the end of the reporting period.	36	74,467
Reports for which no management decision was made within 6 months of issue (as of September 30, 2001). ³	3	0
<p>¹OIG audit reports during the period questioned costs of \$248,000.</p> <p>²On three audit reports with a total of potential funds put to better use of \$40.2 million, management has agreed to take the recommended actions, but the amount of agreed monetary benefits cannot be determined until those actions are completed.</p> <p>³OIG Report No. D-2001-086, "On-Board Jammers for the Integrated Defensive Electronic Countermeasures Suite," was issued March 20, 2001, and decided October 9, 2001.</p> <p>OIG Report No. D-2001-028, "Compliance with Procurement Laws in Purchasing Free Weights and Other Strength Building Equipment," issued December 27, 2000, had no management decision made within 6 months of issuance, and comments were being sought as of November 1, 2001.</p> <p>OIG Report No. D-2001-085, "The 2000 DoD Financial Improvement Plan," issued March 19, 2001, had no management decision made within 6 months of issuance, and mediation was ongoing as of November 1, 2001.</p>		

*Fulfills requirements of 5 U.S.C., Appendix 3, Section 5(a)(8)(9) and Section 5(b)(2)(3).

STATUS OF ACTION ON CENTRAL INTERNAL AUDITS¹ (\$ in thousands)		
Status of Action	Number of Reports	Funds Put to Better Use
IG, DoD		
Action in Progress - Beginning of Period	306	\$156,730
Action Initiated - During Period	97	31,005
Action Completed - During Period	77	103,153
Action in Progress - End of Period ²	326	5,730
Military Departments		
Action in Progress - Beginning of Period ³	413	5,014,600
Action Initiated - During Period	141	418,459
Action Completed - During Period	77	3,727,946
Action in Progress - End of Period	477	1,726,808
¹ OIG audit reports during the period questioned costs of \$248,000. ² On certain reports (primarily from prior periods) with audit estimated monetary benefits of \$827 million, we agreed that the resulting monetary benefits can only be estimated after completion of management action, which is ongoing. ³ Reflects an upward adjustment of \$2 billion due to a data transmission error in the prior period.		

APPENDIX D
CONTRACT AUDIT REPORTS ISSUED*
(\$ in millions)

Type of Audit ²	Reports Issued*	Amounts Examined	Questioned Costs ³	Funds Put to Better Use ¹
Incurring Costs	18,140	\$53,003.7	\$795.4	\$202.0 ⁴
Forward Pricing Proposals	4,979	68,859.0	--	1,714.1 ⁵
Cost Accounting Standards	1,524	366.8	90.0	--
Defective Pricing	462	(Note 6)	25.3	--
Other	3	--	--	--
Totals	25,108	\$122,229.5	\$910.7	\$1,916.1

¹This schedule represents Defense Contract Audit Agency (DCAA) contract audit reports issued during the 6 months ended September 30, 2001. Both "Questioned Costs" and "Funds Put to Better Use" represent potential cost savings. Because of limited time between availability of management information system data and legislative reporting requirements, there is minimal opportunity for the DCAA to verify the accuracy of reported data. Accordingly, submitted data is subject to change based on subsequent DCAA authentication.

²This schedule represents audits performed by DCAA summarized into four principal categories, which are defined as

Incurring Costs - Audits of direct and indirect costs charged to Government contracts to determine that the costs are reasonable, allocable and allowable as prescribed by the Federal Acquisition Regulation, Defense Federal Acquisition Regulation, and provisions of the contract. Also included under incurred cost audits are Operation Audits, which evaluate a contractor's operations and management practices to identify opportunities for increased efficiency and economy, and Special Audits, which include audits of terminations and claims.

Forward Pricing Proposals - Audits of estimated future costs of proposed contract prices, proposed contract change orders, costs for redeterminable fixed-price contracts and costs incurred but not yet covered by definitized contracts.

Cost Accounting Standards - A review of a contractor's cost impact statement required due to changes to disclosed practices, failure to consistently follow a disclosed or established cost accounting practice or noncompliance with a CAS regulation.

Defective Pricing - A review to determine whether contracts are based on current, complete, and accurate cost or pricing data (the Truth in Negotiations Act).

Other - Audits conducted in support of cases referred for investigation.

³Questioned costs represent costs that DCAA reported as unsupported.

⁴Represents recommendations associated with Operations Audits where DCAA has advised a contractor that funds could be used more effectively if management took action to implement cost reduction recommendations.

⁵Represents potential cost reductions that may be realized during contract negotiations.

⁶Defective pricing dollars examined are not reported because the original value was included in the audits associated with the forward pricing proposals.

Waivers of Advisory and Assistance Service Contracts

A review is made of each waiver granted by the Department for advisory and assistance services contracts related to testing support. This review is required by Section 802, Defense Authorization Act for Fiscal Year 1990.

The Department made no waivers during the period and therefore, no reviews were made by the OIG.

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